

Message Text

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ACTION EB-07

INFO OCT-01 EA-06 ISO-00 AGR-05 CIAE-00 COME-00 INR-05

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R 030521Z DEC 74

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 3584

C O N F I D E N T I A L TAIPEI 7138

E.O. 11652: GDS

TAGS: ETRD, TW

SUBJECT: COTTON CONTRACT PROBLEMS

REFS: A) STATE 260860, B) TAIPEI 6843

SUMMARY

EMBASSY HAS SOUGHT TO FOCUS HIGH-LEVEL GROC ATTENTION ON COTTON CONTRACT PROBLEMS. THOUGH SOLUTION AS PROMPT AS WE WOULD WISH PROBABLY NOT FEASIBLE, SENIOR ECONOMIC/FINANCIAL OFFICIALS CONFIRM THEY ACTIVELY CONSIDERING ISSUE AND SEEKING MEANS OF PROVIDING FINANCIAL ASSISTANCE TO MILLS TO PERMIT OPENING L/CS. END OF SUMMARY

1. SUBJECT OF COTTON CONTRACTS CAME UP DURING NOV 29 LUNCHEON HOSTED BY AMBASSADOR FOR MINISTER OF ECONOMIC AFFAIRS Y.S. SUN (SUN YUN-HSUAN). SUN COMMENTED THAT FOLLOWING HIS OCT 29 CONVERSATIONS WITH DEP SEC INGERSOLL AND ASST SEC HABIB HE HAD CABLED PREMIER ON SERIOUSNESS WITH WHICH USG VIEWED COTTON PROBLEM. HE ALSO HAD INSTRUCTED BOARD OF FOREIGN TRADE (BOFT) TO PRESS MILLS TO OPEN L/C'S IF THEY WERE FINANCIALLY ABLE TO DO SO.

2. SUN AVERRED PROBLEM WILL NOT BE RESOLVED EASILY OR SOON. TEXTILE BUSINESS IS SO BAD THAT MANY FIRMS ARE
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FACING BANKRUPTCY. EVEN LARGEST AND STRONGEST MILLS HAVE

HAD TO FURLOUGH EMPLOYEES AND CUT PRODUCTION. TEXTILE INDUSTRY IS PURCHASING AS LITTLE COTTON AS POSSIBLE SO AS TO NOT BE STUCK WITH LARGE INVENTORY IN CASE MARKET DOES NOT IMPROVE IN 1975.

3. IN THESE CIRCUMSTANCES, ACCORDING TO SUN, VERY FEW MILLS ARE IN A POSITION TO OPEN L/C'S UNLESS GROC STEPS IN WITH FINANCIAL ASSISTANCE. HE HAS BEEN MEETING WITH MINISTER OF FINANCE K.T. LI (LI KUO-TING) WHO CONFIRMED THIS TO US INDEPENDENTLY) AND GOVERNOR OF CENTRAL BANK K.H. YU (YU KUO-HUA) IN AN EFFORT TO DETERMINE THE EXTENT TO WHICH THE GROC SHOULD MAKE FUNDS AVAILABLE. AS YET, NO SPECIFIC MEASURES HAVE BEEN DETERMINED.

4. SUN CANDIDLY ADMITTED THAT SUCH ASSISTANCE GROC DOES GIVE TEXTILE INDUSTRY WILL BE GIVEN ONLY BECAUSE IT DOES NOT WANT COTTON PROBLEM TO BECOME MAJOR POLITICAL IRRITANT IN US-ROC RELATIONS. CONTRACT PROBLEMS BETWEEN BUYERS AND SELLERS ARE NORMAL IN COMMERCIAL DEALINGS AND SHOULD BE RESOLVED AT THAT LEVEL WITHOUT INVOLVEMENT OF GOVERNMENTS. ON MORE THAN ONE OCCASION AN ROC TEXTILE MILL HAS COMPLAINED TO BOFT THAT A US COMPANY HAS REFUSED TO ACCEPT GOODS CONTRACTED FOR. AT NO TIME DID THE BOFT CONSIDER APPROACHING THE EMBASSY FOR ASSISTANCE SINCE SUCH MATTERS SHOULD BE RESOLVED BY THE PARTIES CONCERNED THROUGH LEGAL REMEDIES.

5. SUN DID NOT YET KNOW DEGREE OF SUCCESS BOFT HAS HAD IN GETTING MILLS TO OPEN L/C'S. EMBASSY EXPECTS TO RECEIVE DEC 3 FIRST BI-WEEKLY STATUS REPORT PROMISED BY H.K. SHAO (SHAO HSUEH-KUEN) DURING NOV 11 MEETING.

6. AMBASSADOR HAD ANOTHER OCCASION TO MENTION PROBLEM TO PREMIER ON NOV 21, RENUNING LATTER THAT ISSUE WAS VERY MUCH A LIVE QUESTION AND RE-STATING OUR HOPE FOR EFFECTIVE ACTION. UNGER

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